

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 OPIC-03

XMB-02 PA-01 PRS-01 /104 W

-----050242Z 074081 /71

R 050140Z JAN 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8512

C O N F I D E N T I A L JAKARTA 0145

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INVESTMENT CLIMATE FOR OIL EXPLORATION

1. SUMMARY: ACCORDING INDONESIAN AMBASSADOR IN WASHINGTON, GOI REMAINS UNDECIDED AND POSSIBLY SPLIT ON QUESTION FUTURE INVESTMENT INCENTIVES TO OIL COMPANIES. MINISTER WIDJOJO REMAINS KEY. AMBASSADOR RUSMIN HOPES ARRANGE VISIT FOR WIDJOJO TO U.S. IN APRIL. END SUMMARY.

2. IN CONVERSATION WITH INDONESIAN AMBASSADOR TO U.S. RUSMIN DECEMBER 31 I ASKED WHETHER IN HIS CONVERSATIONS WITH PRESIDENT AND OTHERS HE HAD FOUND AWARENESS OF SERIOUS DECLINE IN PLANS FOR FUTURE INVESTMENT BY OIL PRODUCING COMPANIES.

3. RUSMIN SAID THIS WAS VERY MUCH ON PRESIDENT'S MIND AND ON MIND OF PRESIDENT HARYONO OF PERTAMINA. BECAUSE OF DIFFERING VIEWS WITHIN INDONESIA GOVERNMENT NO DECISION HAS YET BEEN REACHED ON WHAT INCENTIVES CAN BE OFFERED TO COMPANIES. WHILE HE WAS NOT SPECIFIC, PRESUMABLY HE REFERS TO KNOWN DIFFERENCES BETWEEN PERTAMINA OIL EXPERTS AND MINISTER PLANNING AND FINANCE.

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4. RUSMIN CONFIRMED THAT MINISTER OF PLANNING WIDJOJO WAS HARDLINER WITH RESPECT TO CONCESSIONS TO COMPANIES. HE ALSO STATED THAT GOI WAS ASKING OUTSIDE CONSULTANTS' ADVICE IN US, UK, AND JAPAN. WHEN MINISTER OF MINING SADLI WAS IN U.S. RECENTLY HE MET WITH ASSOCIATES OF WALTER LEVY IN NEW YORK. ACCORDING TO RUSMIN, THEY TOLD

SADLI FRANKLY THAT INDONESIA WILL NOT GET TERMSS IT IS SEEKING FROM COMPANIES AND SUCH TERMS NEED TO BE REVISED IF FUTURE INVESTMENT IS TO BE ENCOURAGED. ACCORDING TO RUSMIN, THIS CAME AS SOMETHING OF SHOCK TO SADLI.

5. IN THIS CONNECTION, RUSMIN SAID HE HOPES TO FIND MEANS OF ARRANGING VISIT FOR MINISTER WIDJOJO TO U.S. TO MEET AT MINISTERIAL LEVEL WITH OFFICIALS OF NEW ADMINISTRATION. AT SAME TIME PRESUMABLY WIDJOJO COULD ALSO MEET WITH TOP EXECUTIVES OF PRODUCING OIL COMPANIES. RUSMIN SUGGESTED THAT TIMING AFTER NEXT IGGI MEETING PERHAPS LATE IN APRIL WOULD BE POSSIBILITY.

6. COMMENT: AS WE HAVE REPORTED PREVIOUSLY, MINISTER WIDJOJO REPRESENTS IMPORTANT KEY, NOT ONLY TO INVESTMENT POLICIES, BUT TO OTHER ECONOMIC POLICIES AS WELL. WHILE WE AGREE THAT IT WILL BE IMPORTANT FOR HIM TO VISIT UNITED STATES, WE SHOULD EMPHASIZE THAT HE HAS MADE IT CLEAR TO US HE WILL ONLY DO SO IF HE CAN BE RECEIVED AT CABINET LEVEL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, PETROLEUM PRODUCTION, POLICIES, EXPLORATORY DRILLING
Control Number: n/a
Copy: SINGLE
Sent Date: 05-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART00145
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770003-1141
Format: TEL
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770179/aaaacren.tel
Line Count: 83
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3fec5cdd-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3660355
Secure: OPEN
Status: NATIVE
Subject: INVESTMENT CLIMATE FOR OIL EXPLORATION
TAGS: ENRG, ID
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3fec5cdd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009